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Paternoster Resources PLC

26 June 2018

For immediate release
June 2018

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Paternoster Resources plc
("Paternoster" or "the Company")

Financial Statements for the year ended 31 December 2017

The Company is pleased to announce that the financial statements for the year ended 31 December 2017 - extracts from which are set out below - will shortly be posted to shareholders, and made available on the website www.paternosterresources.com

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INTRODUCTION

During the year ended 31 December 2017, the Company has continued to trade as an investment company focused on investing in the natural resources sector.

FINANCIAL

During 2017, the Company made a loss from continuing operations of £1,135,685 (2016: profit of £486,048). The net asset value of the Company as at 31 December 2017 was £2,448,769 (2016: £3,584,454).

The Company's investment portfolio at 31 December 2017 is divided into the following categories:

Category	Principal investments	Cost or valuation (£)
Listed investments	Metal Tiger plc, MX Oil plc, Plutus Powergen plc, Arc Minerals plc, Pires Investments plc, I3 Energy plc, Cora Gold plc and Shumba Energy Limited	1,811,625
Cash resources		211,795
Listed investments and cash		2,023,420
Unlisted investments		440,748
Total		2,464,168

At 31 December 2017, the Company had cash balances amounting to £211,795 (2016: £648,165).

Since the year end, the company has raised new funds and on 1 May 2018, the Company released its First Quarter Update 2018 which showed that it had net assets, on an unaudited basis, of £3.1 million, the majority of which comprised listed investments of £1.8 million and cash of £1.1 million.

REVIEW OF THE YEAR

During the year, the share price of Plutus PowerGen plc ("Plutus"), one of the Company's principal investments reduced significantly, contributing to a reduction in the value of the investment portfolio. This is compared against a very strong performance of the Plutus share price during 2016 when it increased by some 110%. Furthermore, whilst Cradle Arc Investments plc (formerly Alecto Minerals plc) and Polemos plc which were both suspended during the year have come back to the market post year end, this has been at lower prices than was originally expected and so, prudently, these reduced valuations have been reflected in the 2017 year end portfolio valuation.

During 2017, the Company's investment in Glenwick translated into holdings in I3 Energy plc and Cora Gold plc and the share prices of both of these companies struggled towards the end of 2017. However, since the year end, the I3 Energy plc share price has increased by around

300%. Paternoster has realised some significant profits from this investment whilst still retaining a meaningful shareholding.

More details of the development of investments during the year and significant developments since the year end are set out in the Strategic Report.

OUTLOOK AND STRATEGY

On 18 January 2018, the Board of Paternoster Resources plc announced that it had entered into an arrangement with RiverFort Global Capital Ltd ("RiverFort"), the specialist provider of capital to junior companies whereby Paternoster would have the opportunity to invest in transactions arranged by RiverFort alongside other co-investors. At the same time, the Company raised £850,000 from both private and institutional investors.

RiverFort is a highly-respected provider of specialist financing, primarily to the natural resources sector, providing equity, convertible debt and senior project finance solutions. RiverFort is the investment director of Cuart Investments PCC Limited, a Gibraltar Experienced Investor Fund. Since its formation, RiverFort has been able to arrange attractive returns for its investors. In 2016, its first year of operation, Cuart Investments PCC Limited - Cuart Growth Capital Fund I achieved an increase in its audited NAV of over 15% between July and December 2016. The increase in NAV for 2017, on an unaudited basis, is expected to be over 20%. From the date of its formation to 31 March 2018, RiverFort, on behalf of Cuart Growth Capital Fund I, its co-investors and other investment partners, has arranged over US\$76 million of investments. The RiverFort team has an international footprint and a range of financial, entrepreneurial and industrial expertise. Riverfort is authorised and regulated by the Financial Conduct Authority.

On 21 February 2018, Andrew Nesbitt joined the board of Paternoster. Andrew is a qualified mining engineer and is a consultant to RiverFort. He holds a BSc (Eng) Mining and an MBA and has over 20 years of experience in the natural resources sector. He has held various production and technical roles with both De Beers and Goldfields and has carried out a number of feasibility studies across the world with the leading technical consulting group SRK. In addition, Andrew is also an experienced investor, having previously worked as a partner and portfolio manager for Craton Capital Pty Limited, a global precious metals fund with over US\$400 million of assets under management.

On 20 April 2018, the Board announced that, as a first step in the development of its arrangement with RiverFort, it had agreed to invest around £250,000 in a portfolio of income-yielding investments arranged by RiverFort which comprise investments in the form of both senior and convertible debt. This portfolio represented, on average, around 2.8% of the total investment amounts originally arranged by RiverFort and therefore demonstrates the scope for Paternoster to scale-up the size of its investments as it develops its relationship with RiverFort. This should enable the Company to quickly grow its portfolio with investments that can generate both attractive cash returns whilst providing downside protection.

On 8 June 2018, Paternoster held a general meeting both to increase its share allotment authorities and to approve the entering into of an investment adviser agreement with RiverFort. All resolutions were passed with significant majorities. Going forward, the Company is now well placed to build its portfolio significantly and rapidly through making investments that can generate income and capital growth whilst offering downside protection.

Nicholas Lee

Chairman

25 June 2018

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

LISTED INVESTMENTS

PLUTUS POWERGEN PLC

Plutus PowerGen plc ("Plutus"), which is listed on AIM, is a power company focused on the development, construction and operation of flexible electricity and gas power generation in the UK.

In Q1 2017, the company's share price fell significantly as a result of the uncertainty surrounding the OFGEM statement regarding TRIAD payments to local embedded power generators. Given that Plutus benefits from multiple earnings streams, it believes that its business model going forward continues to be attractive. It also has a number of projects in the pipeline that are expected to deliver additional fees and revenues. The company is continuing to broaden its exposure to the UK energy sector which includes looking to develop battery energy storage projects. It has also received planning for two further renewable green diesel power generation sites and has recently signed a joint venture with a leading UK supplier of gas and diesel generators.

Plutus has commissioned two new 20MW flexible energy generation sites in Stowmarket, Suffolk and has energised two sites in Ipswich. The company now has 120MW of flexible energy generation sites in operation with a further three 20MW sites expected to come into operation in 2018. More generally, the company is focused on moving into gas powered energy generation, energy storage and hybrid generation sites during 2018. Gas powered sites offer significantly more attractive returns compared to diesel powered sites and hybrid sites allow power generation sites of various types to partner with storage technologies giving the company access to additional revenue streams.

MX OIL PLC

MX Oil plc ("MX Oil") holds an indirect investment in a Nigerian oil and gas licence, OML 113, which includes the Aje Field. During the year, the two wells in the Aje Field within block OML 113 have continued to produce notwithstanding an interruption in production at Aje 5 whilst some subsurface intervention was carried out.

As part of the oil production process, a significant quantity of new data about the underlying reservoir and related geology has been collected. Consequently, the partners in the licence commissioned the preparation of an updated Competent Persons Report ("CPR") in order to take into account this new data and to provide a more accurate update of the future potential of the field.

The revised CPR has now been completed which is an update to the CPR prepared previously in July 2014 and incorporates all the developments and new data generated by the project since that date. The level of reserves reported in this latest CPR represents a significant increase compared to the previous report and highlights the future potential of the Aje Field.

Now that the company has received the updated CPR, work is currently underway on modelling the potential for new oil wells in both the Turonian and Cenomanian. Subject to the outcome of this work, it expects to see further development drilling in 2019, with a view to progressing to a full scale oil and gas integrated project thereafter.

Also, during the year, shareholders approved the adoption of a revised investing policy by the company to include interesting opportunities in adjacent areas of oil services, energy, power and related technologies.

METAL TIGER PLC

Metal Tiger plc ("Metal Tiger") which is listed on AIM, is focused on investing in mineral projects with a precious metals and strategic metals focus. During the year, the company has continued to invest in MOD Resources Limited ("MOD") which is continuing to make good progress on its high-grade copper and silver deposit ("T3") in Botswana. The company is looking forward to the results of the next resource upgrade on this asset, the finalisation of the definitive feasibility study and further exploration work in this licence area.

The company has also progressed the IPO of its joint venture in Thailand, however, the timing of this has been postponed pending greater clarity of the Thailand Government's Mineral Management Master Plan.

The company also raised £4.85 million by way of a private placement and further funds through the exercise of warrants.

SHUMBA ENERGY LIMITED

During the year Shumba Energy Limited has continued to develop its coal and energy interests in Botswana. It currently has three advanced stage projects and one earlier stage alternative energy project.

ARC MINERALS PLC (formerly ORTAC RESOURCES LIMITED)

The company has made significant progress during the year. It is now focused on its two high potential African mining assets namely: Casa Mining Limited ("CASA") a private company that holds prospective gold mining and exploration licences in the Democratic Republic of Congo; and Zamsort Limited ("Zamsort"), a company based in Zambia with interests in copper and cobalt. The company now owns some 90% of CASA having, during the year, made an offer to acquire the shares that it did not already own. It has also increased its ownership in Zamsort to 55%. During the period, the board of the company has also been restructured.

POLEMOS PLC

Polemos plc is an investment company listed on AIM with a specific focus on the natural resources sector. During the year, Polemos plc invested in Oyster Oil and Gas Limited ("Oyster"), a company already listed on the TSX-V. Oyster currently operates four blocks in the Republic of Djibouti (100% interest) of which three blocks are located onshore and one block offshore. It also operates a 100% working interest in a large onshore block in the Republic of Madagascar. In July 2017, Polemos raised around £500,000 for working capital purposes and to fund the seeking of investment opportunities.

In September 2017, Polemos announced the potential acquisition of a cyber security business SecurLinx Corporation, a US based cyber security company. As this would constitute a reverse takeover, its shares were suspended pending the publication of an admission document. This transaction, however, could not be completed and so the company came back to the market on 9 March 2018 as an AIM Rule 15 cash shell which effectively means that it needs to secure an alternative reverse takeover transaction within six months of this date.

PIRES INVESTMENTS PLC

Pires Investments plc is an investment company listed on AIM with a specific focus on the natural resources sector. It is currently seeking interesting investment opportunities. The company's principal assets comprise cash and an investment in Eco (Atlantic) Oil and Gas Limited which, since the year end, has increased in value significantly. As a result, the company is now well placed to pursue exciting investment opportunities.

CORA GOLD LIMITED

Cora Gold Limited is a West African focused gold exploration company. The company's principal project is the Sanankoro gold discovery in southern Mali. The company listed on AIM in October 2017. Since then it has commenced drilling at Sanankoro which has yield some positive results. It has also commenced drilling at its Tekeledougou project in southern Mali which has also produced some good results. Consequently, the company's share price has increased by some 40% since the year end.

I3 ENERGY PLC

I3 Energy Limited ("I3 Energy") owns a 100% operated interest in the Liberator field, an oil discovery situated within Block 13/23d of the North Sea, immediately adjacent to the Blake field and situated 2 kilometres from Blake's producing drill centre. The company was introduced to AIM in July 2017. During Q1 2018, the company raised additional funds and also announced that it was in advanced discussions with various possible partners regarding a potential joint venture relating to its 100% owned Liberator Oil Field and its 30th Offshore Licencing Round application. In May 2018, it announced that it had been awarded its sole 30th Offshore Licensing Round application target, Block 13/23c 123 km², on a 100% Interest basis.

Since the year end, I3 Energy's share price has increased by around 300%. Paternoster has realised some significant gains on this investment.

UNLISTED INVESTMENTS

CRADLE ARC MINERALS PLC (formerly ALECTO MINERALS PLC)

In December 2016, the company announced the proposed acquisition of the Mowana Copper Mine in Botswana ("Mowana"). This acquisition constituted a reverse takeover under the AIM Rules for Companies and, as a result, the company's shares were suspended. Mowana is a former producing copper mine that has already been brought back into production. Unfortunately, the company was not able to complete the acquisition of Mowana prior to the company being delisted. However, since then, the company has worked hard to complete the acquisition and raise the appropriate level of funding such that it was able to come back to AIM in early 2018, albeit at a lower price than originally envisaged. Since then, it has announced a maiden JORC resource for Mowana and an increase in production at the mine.

GLENWICK PLC

In February 2017, Paternoster subscribed for new ordinary shares in Glenwick plc ("Glenwick"), principally to gain exposure to its pre-IPO investment in I3 Energy plc. During the year, I3 Energy plc ("I3 Energy") was introduced to AIM and Paternoster received shares in I3 Energy. At the same time, Glenwick was progressing the acquisition of 100% of the share capital of Cora Gold Limited ("Cora Gold"). This transaction ultimately did not take place as Cora Gold completed its own IPO instead. However, in order to compensate Glenwick for costs incurred, it received a number of Cora Gold shares which were then distributed to Glenwick shareholders. Post period end, Glenwick is now in the process of being wound up and, whilst the share prices of I3 Energy and Cora Gold did not perform very well during 2017, post period end they have both improved, with I3 Energy increasing very significantly. As a result, Paternoster has made a very attractive return from its investment in Glenwick.

ERIDGE CAPITAL LIMITED (formerly NEW WORLD OIL AND GAS PLC)

Eridge Capital Limited is an investment company with net assets comprising cash and a convertible loan in Big Sofa Technologies plc ("Big Sofa"), a company listed on AIM. During the year, the company changed its name and has migrated to the British Virgin Islands as this was believed to be a more appropriate jurisdiction for an unlisted investment company compared to remaining in Jersey. The company is actively working on a revised strategy in order to deliver a return to shareholders. Post period end, the Company's loan in Big Sofa has been repaid and part of the loan has been converted into shares.

ELEPHANT OIL LIMITED

Elephant Oil Limited, is an oil and gas exploration company focused on West Africa, which holds a 100% interest in Block B, onshore Benin, on the prolific West Africa Transform Margin. The company continues to look at options to develop its asset and presence in the region.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

2017 2016

Note £ £

CONTINUING OPERATIONS:

Net (loss)/gain on investments	4	(811,467)	770,086
Investment income	5	11,934	15,090
TOTAL INCOME		(799,533)	785,176
Administrative expenses		(336,152)	(299,128)
(LOSS)/PROFIT BEFORE TAXATION		(1,135,685)	486,048
Taxation	10	-	-
(LOSS)/PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		(1,135,685)	486,048
EARNINGS PER SHARE	11		
Basic and fully diluted (loss)/earnings per share		(0.112p)	0.051p

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
NON-CURRENT ASSETS			
Investments held for trading	12	2,252,373	2,949,517
		2,252,373	2,949,517
CURRENT ASSETS			
Trade and other receivables	13	37,863	29,142
Cash and cash equivalents	14	211,795	648,165
		249,658	677,307
TOTAL ASSETS		2,502,031	3,626,824
CURRENT LIABILITIES			
Trade and other payables	15	53,262	42,370
		53,262	42,370
NET ASSETS		2,448,769	3,584,454

EQUITY

Share capital	16	4,269,546	4,269,546
Share premium account	16	3,191,257	3,191,257
Capital redemption reserve	17	27,000	27,000
Share option reserve	17	73,150	73,150
Retained losses		(5,112,184)	(3,976,499)
TOTAL EQUITY		2,448,769	3,584,454

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £	Share premium £	Other reserves (Note 18) £	Retained losses £	Total equity £
BALANCE AT 1 JANUARY 2016	4,175,796	3,135,007	119,407	(4,481,804)	2,948,406
Profit for the year and total comprehensive income	-	-	-	486,048	486,048
Share issue	93,750	56,250	-	-	150,000
Transfer on cancellation of options	-	-	(19,257)	19,257	-
Transactions with owners	93,750	56,250	(19,257)	19,257	150,000
BALANCE AT 31 DECEMBER 2016	4,269,546	3,191,257	100,150	(3,976,499)	3,584,454
Loss for the year and total comprehensive expense	-	-	-	(1,135,685)	(1,135,685)
BALANCE AT 31 DECEMBER 2017	4,269,546	3,191,257	100,150	(5,112,184)	2,448,769

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
Note	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax - continuing operations	(1,135,685)	486,048
Share based payment expense	-	-
Investment income	(11,934)	(15,090)
Net losses/(gains) on investments	811,467	(770,086)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		
(Increase) in trade and other receivables	(8,721)	(16,296)
Increase/(decrease) in trade and other payables	10,892	(44,299)
NET CASH USED BY OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of investments	(321,167)	(527,351)
Disposal of investments	206,844	1,055,579
Investment income received	11,934	15,090
NET CASH USED IN INVESTING ACTIVITIES		
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(436,370)	183,595
Cash and cash equivalents at the beginning of the year	648,165	464,570
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
14	211,795	648,165

NOTES TO THE FINANCIAL STATEMENTS

1 FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Paternoster Resources plc is a public limited company incorporated in the United Kingdom. The shares of the Company are listed on the AIM stock exchange. The address of its registered office is 30 Percy Street, London W1T 2DB. The Company's principal activities are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all periods presented in the financial statements.

As in prior periods, the Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the Company. The comparative figures are for the year ended 31 December 2016.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Company are presented below under 'Statement of Compliance'.

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In certain circumstances, where fair value cannot be readily established, the Company is required to make judgements over carrying value impairment, and evaluate the size of any impairment required.

SHARE BASED PAYMENTS

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made

regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company holds investments that have been designated as held for trading on initial recognition. Where practicable the Company determines the fair value of these financial instruments that are not quoted (Level 3), using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognise that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

STATEMENT OF COMPLIANCE

The financial statements comply with IFRS as adopted by the European Union. The following new and revised Standards and Interpretations have been adopted in the current period by the Company for the first time and do not have a material impact on the group.

IFRS Disclosures of interests in other entities

12 -

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have a significant effect on the financial statements of the Company.

REVENUE RECOGNITION

INVESTMENT INCOME

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income on an ex-dividend basis. Interest on fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest is recognised on an accruals basis.

CURRENT TAX

Current taxation is the taxation currently payable on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those

associated with shares in subsidiaries and joint ventures and are only not recognised if the Company controls the reversal of the difference and it is not expected for the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

DEFERRED TAX

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited to equity in which case the related deferred tax is also charged or credited directly to equity.

SEGMENTAL REPORTING

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors.

In identifying its operating segments, management generally follows the Company's service lines which represent the main products and services provided by the Company. The Directors believe that the Company's continuing investment operations comprise one segment.

FINANCIAL ASSETS

The Company's financial assets comprise investments held for trading, associated undertakings, cash and cash equivalents and loans and receivables, and are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on

investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

ASSOCIATED UNDERTAKINGS

Associated undertakings are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the statement of financial position at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 "Investment in Associates", which requires investments held by a company as a venture capital provider to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Company has no interests in associates through which it carries on its business.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

LOANS AND RECEIVABLES

Loans and receivables from third parties are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated

future cash flows have been affected. Impaired debts are derecognised when they are assessed as uncollectible.

FINANCIAL LIABILITIES

The Company's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

SHARE-BASED PAYMENTS

All share based payments are accounted for in accordance with IFRS 2 - "Share-based payments". The Company issues equity-settled share based payments in the form of share options to certain directors and employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

DIVIDENDS

Dividend distributions payable to equity shareholders are included in "current financial liabilities" when the dividends are approved in general meeting prior to the statement of financial position date.

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents the nominal value of shares repurchased or redeemed by the Company.

- "Option reserve" represents the cumulative cost of share based payments.
- "Retained losses" represents retained losses.

3 SEGMENTAL INFORMATION

The Company is organised around business class and the results are reported to the Chief Operating Decision Maker according to this class. There is one continuing class of business, being the investment in the natural resources sector.

Given that there is only one continuing class of business, operating within the UK no further segmental information has been provided.

4 NET GAIN/(LOSS) ON INVESTMENTS

	2017	2016
	£	£
Net realised gains/(losses) on disposal of investments	92,473	468,239
Movement in fair value of investments	(903,940)	301,847
Net (loss)/gain on investments	(811,467)	770,086

5 INVESTMENT INCOME

	2017	2016
	£	£
Dividends from investments	-	412
Deposit interest receivable	1,871	-
Other interest receivable	10,063	14,678
	11,934	15,090

6 PROFIT/(LOSS) FOR THE YEAR

	2017	2016
	£	£

Profit for the year has been arrived at after charging:

Wages and salaries	131,329	141,227
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AUDITOR'S REMUNERATION

During the year the Company obtained the following services from the Company's auditor:

	2017	2016
	£	£
Fees payable to the Company's auditor for the audit of the parent company and the Company financial statements	12,000	12,000
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	2,100	600
	14,100	12,600

7 DIRECTORS' EMOLUMENTS

	2017	2016
	£	£
Aggregate emoluments	120,000	141,749
Social security costs	11,329	8,478
	131,329	150,227

Name of director	Fees	Benefits	Total	Total
			2017	2016
	£	£	£	£
N Lee	84,000	-	84,000	72,000
A van Dyke	36,000	-	36,000	20,333
G Haselden	-	-	-	8,500

M Lofgran	-	-	-	40,916
	120,00	-	120,00	141,749

8 EMPLOYEE INFORMATION

	2017	2016
	£	£
Wages and salaries	120,000	141,749
Social security costs	11,329	8,478
	131,329	150,227
Average number of persons employed:		
	2017	2016
	Number	Number
Office and management	2	2

COMPENSATION OF KEY MANAGEMENT PERSONNEL

There are no key management personnel other than the Directors of the Company.

9 SHARE BASED PAYMENTS

EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates share-based payment arrangements to remunerate directors and key employees in the form of a share option scheme. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

On 26 October 2011, Nicholas Lee was granted options to subscribe for 28,000,000 new ordinary shares in the Company at an exercise price of 0.32p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively.

On 13 March 2012, Nicholas Lee was granted options to subscribe for 14,000,000 new ordinary shares in the Company at an exercise price of 0.48p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively. The fair value of these options was determined using the Black-Scholes option pricing model and was £0.22p per option.

On 17 September 2014, Matt Lofgran was granted options to subscribe for 20,000,000 new ordinary shares in the Company at an exercise price of 0.26p per share. These options were cancelled in 2016.

All remaining options were cancelled subsequent to the year end.

EQUITY-SETTLED SHARE OPTION SCHEME

The significant inputs to the model in respect of the options granted in 2014, 2012 and 2011 were as follows:

	2014	2012	2011
Grant date share price	0.26p	0.48p	0.32p
Exercise share price	0.26p	0.48p	0.32p
No. of share options	20,000,000	14,000,000	28,000,000
Risk free rate	2.5%	3%	3%
Expected volatility	50%	40%	40%
Option life	10 years	10 years	10 years
Calculated fair value per share	0.14p	0.22p	0.15p

The total share-based payment expense recognised in the income statement for the year ended 31 December 2017 in respect of the share options granted was £Nil (2016: £Nil).

Number of options at 1 Jan 2017	Granted in the year	Exercised in the year	Cancelled in the year	Number of options at 31 Dec 2017	Exercise price	Vesting Date	Expiry date
9,333,334	-	-	-	9,333,334	0.32p	26.10.2012	26.10.2021
4,666,667	-	-	-	4,666,667	0.48p	13.03.2013	13.03.2022
9,333,333	-	-	-	9,333,333	0.32p	26.10.2013	26.10.2021
4,666,667	-	-	-	4,666,667	0.48p	13.03.2014	13.03.2022
9,333,333	-	-	-	9,333,333	0.32p	26.10.2014	26.10.2021
4,666,667	-	-	-	4,666,666	0.48p	13.03.2015	13.03.2022
42,000,000	-	-	-	42,000,000	0.37p		

10 INCOME TAX EXPENSE

	2017	2016
	£	£
Current tax - continuing operations	-	-
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the Consolidated entities as follows:		
	2017	2016
	£	£
Profit/(loss) before tax from continuing operations	(1,135,685)	486,048
Profit/(loss) before tax multiplied by rate of corporation tax in the UK of 19.25% (2016: 20%)	(218,619)	97,210
Expenses not deductible for tax purposes	2,728	3,034
Offset against tax losses brought forward	-	(100,244)
Unrelieved tax losses carried forward	215,891	-

Total tax	-	-
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Unrelieved tax losses of £4,485,000 (2016: £3,366,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

11 EARNINGS PER SHARE

The basic earnings per share is based on the loss for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year assumes that all shares have been included in the computation based on the weighted average number of days since issue.

	2017	2016
	£	£
Profit/(loss) attributable to equity holders of the Company:		
Profit/(loss) from continuing operations	(1,135,685)	486,048
Profit/(loss) for the year attributable to equity holders of the Company	(1,135,685)	486,048
Weighted average number of ordinary shares in issue for basic and fully diluted earnings*	1,016,607,956	959,230,907

EARNINGS/(LOSS) PER SHARE

BASIC AND FULLY DILUTED:

- Basic (loss)/earnings per share from continuing and total operations	(0.112p)	0.051p
- Fully diluted (loss)/earnings per share from continuing and total operations	(0.112p)	0.051p

*No adjustment to earnings per share for fully diluted earnings has been made as the exercise of options would be anti-dilutive.

12 INVESTMENTS HELD FOR TRADING

	2017	2016
	£	£

At 1 January - fair value	2,949,517	2,557,659
Acquisitions	321,167	677,351
Disposal proceeds	(206,844)	(1,055,579)
Net gain/(loss) on disposal of investments	92,473	468,239
Movement in fair value of investments	(903,940)	301,847
<hr/> At 31 December - fair value	<hr/> 2,252,373	<hr/> 2,949,517
<hr/> Categorised as:		
Level 1 - Quoted investments	1,811,625	2,557,368
Level 2 - Unquoted investments	263,513	-
Level 3 - Unquoted investments	177,235	392,149
	<hr/> 2,252,373	<hr/> 2,949,517
	<hr/>	<hr/>

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in active markets for identical assets.

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policy note, "Investments held for trading".

LEVEL 2 FINANCIAL ASSETS

Level 2 financial assets comprise a convertible loan note valued by reference to its nominal value, and two equity investments whose shares were suspended at the year-end which have been valued at the bid price of the shares on lifting of the suspension subsequent to the year-end.

LEVEL 3 FINANCIAL ASSETS

Reconciliation of Level 3 fair value measurement of financial assets

	2017	2016
	£	£
Brought forward	392,149	947,221
Reclassified from Level 1	-	293,295
Reclassified to Level 1	-	(390,320)
Disposal proceeds	-	(170,698)
Loss on disposals	-	(154,095)
Movement in fair value	(214,914)	(133,254)
Carried forward	177,235	392,149

Level 3 valuation techniques used by the Company are explained on page 22 (Fair value of financial instruments)

In line with the investment strategy adopted by the Company, Nicholas Lee is on the boards of the following investee companies:

	%age holding	
	2017	2016
Pires Investments plc	24.8%	24.8%
MX Oil plc	0.9%	0.9%
Eridge Capital Limited	7.7%	7.7%

13 TRADE AND OTHER RECEIVABLES

	2017	2016
	£	£
Other receivables	20,816	20,894
Prepayments and accrued income	17,047	8,248
	37,863	29,142

The Directors consider that the carrying amount of other receivables is approximately equal to their fair value.

14 CASH AND CASH EQUIVALENTS

	2017	2016
	£	£
Cash and cash equivalents	211,795	648,165

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

TRADE AND OTHER PAYABLES

15

	2017	2016
	£	£
Trade payables	22,067	16,920
Accrued expenses	31,195	25,450
	53,262	42,370

The Directors consider that the carrying amount of trade payables approximates to their fair value.

16 SHARE CAPITAL

	Number of shares		Share capital		Share
	Deferred	Ordinary	Deferred	Ordinary	premium
			£	£	£
ISSUED AND FULLY PAID:					
At 1 January 2016:					
Deferred shares of 9.9p each	32,857,956		3,252,938		

Ordinary shares of 0.1p each		922,857,956		922,858	3,135,007
At 1 January 2016	32,857,956	922,857,956	3,252,938	922,858	3,135,007
Issue of shares		93,750,000		93,750	56,250
At 31 December 2016 and 2017	32,857,956	1,016,607,956	3,252,938	1,016,608	3,191,257

17 OTHER RESERVES

	Capital redemption reserve	Share option reserve	Total Other reserves
	£	£	£
Balance at 1 January 2016	27,000	92,407	119,407
Transfer to Profit and loss on cancellation of options	-	(19,257)	(19,257)
Balance at 31 December 2016 and 2017	27,000	73,150	100,150

18 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated by the Board of Directors and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets.

The main risks the Company is exposed to through its financial instruments are credit risk, foreign currency risk, liquidity risk and market price risk.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Company's growth; and

- to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes. The Company is not subject to externally imposed capital requirements.

CREDIT RISK

The Company's financial instruments that are subject to credit risk are cash and cash equivalents and loans and receivables. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions. The credit risk for loans and receivables is mainly in respect of short term loans, made on market terms, which are monitored regularly by the Board.

The Company's maximum exposure to credit risk is £232,611 (2016: £728,165) comprising cash and cash equivalents and loans and receivables.

The ageing profile of trade and other receivables was:

	2017	2016
	Total book value	Total book value
	£	£
Current	20,816	20,894
Overdue for less than one year	-	-
	20,816	20,894

18 RISK MANAGEMENT OBJECTIVES AND POLICIES continued

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through maintaining a positive cash balance and controlling expenses and

commitments. The Directors are confident that adequate resources exist to finance current operations.

FOREIGN CURRENCY RISK

The Directors do not consider the Company has significant exposure to movements in foreign currency in respect of its monetary assets.

MARKET PRICE RISK

The Company's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Company manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Company's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Company's net asset value and statement of comprehensive income increasing or decreasing by £225,000 (2016: £295,000).

19 FINANCIAL INSTRUMENTS

The Company uses financial instruments, other than derivatives, comprising cash to provide funding for the Company's operations.

CATEGORIES OF FINANCIAL INSTRUMENTS

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2017	2016
	£	£
<hr/>		
FINANCIAL ASSETS:		
Cash and cash equivalents	211,795	648,165
Loans and receivables	20,816	20,894
Investments held for trading	2,252,373	2,949,517

FINANCIAL LIABILITIES AT AMORTISED COST:

The IAS 39 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2017	2016
	£	£
<hr/>		
Trade and other payables	22,067	16,920
<hr/>		

20 RELATED PARTY TRANSACTIONS

The compensation payable to Key Management personnel comprised £120,000 (2016: £141,749) paid by the Company to the Directors in respect of services to the Company. Full details of the compensation for each Director are provided in Note 7.

Nicholas Lee's directorships of companies in which Paternoster has an investment are detailed in Note 12.

21 Contingent LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments at 31 December 2017 or 31 December 2016.

22 POST YEAR END EVENTS

On 18 January 2018, the Company announced that it had entered into an arrangement with RiverFort Global Capital Ltd ("RiverFort"), the specialist provider of capital to junior companies whereby Paternoster would have the opportunity to invest in transactions arranged by RiverFort alongside other co-investors. At the same time, the Company raised £850,000 from both private and institutional investors as a result of a placing of 772,727,270 new ordinary shares at 0.11p per share.

On 20 April 2018, the Board announced that it had agreed to invest around £250,000 in a portfolio of income-yielding investments arranged by RiverFort which comprise investments in the form of both senior and convertible debt.

On 8 June 2018, Paternoster held a general meeting both to increase its share allotment authorities and to approve the entering into of an investment adviser agreement with RiverFort. All resolutions were passed.

23 ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be a single ultimate controlling party.

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